BEFORE THE FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	
Connect America Fund	WC Docket No. 10-90
A National Broadband Plan for Our Future	GN Docket No. 09-51
High-Cost Universal Service Support	WC Docket No. 05-337

REPLY COMMENTS
OF
OREGON TELECOMMUNICATIONS ASSOCIATION
AND
WASHINGTON INDEPENDENT TELECOMMUNICATIONS ASSOCIATION

August 11, 2010

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INTRODUCTION

The Oregon Telecommunications Association (OTA) and the Washington Independent Telecommunications Association (WITA) welcome the opportunity to file these Reply Comments.[1] The Commission is to be commended for stepping forward with an innovative approach under the National Broadband Plan. However, the Commission has, inadvertently, caused at least short term uncertainty for investment in telecommunications by taking the step to address interim universal service reform without first identifying how the Connect America Fund (CAF) will work and how the transition from the existing support mechanisms to the CAF will occur.

Based upon a review of other comments, OTA and WITA recommend that the Commission take the initial steps on universal service reform by taking the following actions:

(1) adopt call signaling rules to address phantom traffic;

(2) confirm that providers using VoIP-enabled transmission are subject to intercarrier compensation; specifically, access charges;

(3) order access customer self-help efforts to cease and withheld funds be paid;

(4) reform the USF contribution methodology and expand the contribution base to include all broadband providers;

(5) assist broadband adoption by ensuring access to video content on reasonable and non-discriminatory terms and conditions; and

(6) eliminate the "identical support" rule and address CETC funding.

OTA and WITA also recommend that the Commission begin a Joint Board process to look at the

[1] OTA and WITA are named as supporters of the Joint Reply of the National Exchange Carrier Association, et al. OTA and WITA are filing these Reply Comments to articulate concerns important to OTA and WITA in addition to having joined in general support of the Joint Reply of NECA et al. Please note that CenturyLink, a member of OTA and WITA, does not join in these Reply Comments and is expected to file its own reply comments.

addition of broadband services as an element of the supported services under universal service.

INTERIM UNIVERSAL SERVICE REFORM

1. What Can Be Done Now?

OTA and WITA support the long-term goals of universal service and intercarrier compensation reform. However, it has to be done right. By proposing interim universal service reform and using an unknown model as a central element of the Notice of Inquiry (NOI) and Notice of Proposed Rulemaking (NPRM), the Commission has, in the words of many commenters (some more colorful than others), jumped the gun. This has created an environment which may well make additional investment in telecommunications, at least in the short run, difficult to accomplish in rural America.

As pointed out by AT&T, it is understandable that the Commission desires to get started on the work on developing "a thoroughly reviewed and vetted broadband model" and exploring how to transition "support from legacy high-cost mechanisms to broadband-focused high-cost universal service program...."[2] However, the manner the Commission has gone about it is problematic. As stated by AT&T, "... by requesting detailed comment on modeling issues without determining whether a model is even necessary and proposing to eliminate legacy high-cost support without indicating how this transition support will be distributed via the CAF, if at all, the Commission has essentially jumped the gun."[3]

NASUCA uses slightly more colorful language to come to the same conclusion: "... the NoI is absolutely unclear on what specific use the model is to be put once it is developed. The Connect America Fund ("CAF") - where the model apparently will be used - has yet to be even

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[2] Comments of AT&T, Inc. at p. 3.
[3] Comments of AT&T, Inc. at p. 3, footnote omitted.

set out for public comment. These and a host of other key questions need to be addressed **before** the model is finalized, much less applied. This is not just putting the cart before the horse, it is attempting to design the cart before knowing whether it will be drawn by a Percheron, a blood Arabian, or an ox; before knowing the road is dirt, gravel, or asphalt; and, even more importantly, before knowing who will pay for the animal, the cart, or the road."[4]

OTA and WITA agree that information about how the CAF will work needs to be provided as a starting point. OTA and WITA agree that more information about the role of the model in the CAF and the transition from existing support models to the CAF must be provided before meaningful comment on interim or long-term universal service reform can be given.

This does not, however, mean that the Commission cannot take several initial steps for universal service reform. Part of the package is intercarrier compensation reform. Intercarrier compensation reform is linked to universal service reform. As stated by CenturyLink, "Reform of intercarrier compensation is a critical component of generating sufficient funding to deliver on the promise of broadband universal service."[5] CenturyLink recommends that three steps be taken on an immediate basis as the first steps of reform:

- First, the Commission must adopt phantom traffic rules in order to enforce existing obligations.
- Second, the Commission must confirm and enforce existing access charge compensation for VoIP services.
- Third, current self-help efforts must cease, and withheld funds must be paid.[6]

[4] Comments of the National Association of State Utility Consumer Advocates, et al. at p. 3 (emphasis in the original).
[5] Comments of CenturyLink at p. 8.
[6] Comments of CenturyLink at p. 9 (footnotes omitted).

The Associations' Comments[7] also have a set of recommendations that can be accomplished now. The recommendations are as follows: "(1) reform the USF contribution methodology, including expansion of the contribution base to include, at a minimum, all broadband providers and services; (2) strengthen the call signaling rules in order to mitigate the problem of phantom traffic, and confirm that providers of interconnected VoIP services are subject to ICC payments; and (3) the Commission should help broadband adoption by ensuring RLEC [*sic*] have access to video content on reasonable and non-discriminatory terms and conditions."[8]

The Associations' Comments go on to point out "Fortunately, there is no need for the Commission to wait. There have been open proceedings on all three of these issues for many years, and the FCC has more than sufficient record on each to proceed expeditiously with Orders, without the need for further public comment."[9]

OTA and WITA agree with these recommendations. Addressing these matters is the appropriate first step towards both intercarrier compensation reform and universal service reform. In addition to the items listed above, another action item to consider with respect to the contribution mechanism is the one recommended by Verizon - namely, moving to a contribution mechanism based on working telephone numbers or network connections.[10] Another step that can and should be taken immediately is to eliminate either the identical support rule or competitive ETC universal service funding or both.

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[7] Joint Comments of the National Exchange Carrier Association, Inc.; National Telecommunications Cooperative Association; Organization for the Promotion and Advancement of Small Telecommunications Companies; Western Telecommunications Alliance; and The Rural Alliance.

[8] The Associations' Comments at p. 65-66.

[9] The Associations' Comments at p. 66.

[10] Comments of Verizon and Verizon Wireless at p. 25.

2. What Should Be Done Next?

There are troubling arguments raised in some comments questioning whether the Commission even has the authority to move towards a broadband-based fund. For example, both CompTel and the Rural Telecom Service Providers Coalition argue that Section 254 does not allow a universal service program based on broadband services.[11] These arguments seem to center largely on Section 254's use of the term "telecommunications." The argument is that the focus of Section 254 is telecommunications in the form it has traditionally taken and that Congress did not intend to include broadband services as "telecommunications."

OTA and WITA note that there are countervailing arguments that can be raised. First, the language in Section 254(b)(2) is that one of the principles for preservation and advancement of universal service is that "access to advanced telecommunications and information services should be provided in all regions of the Nation." (Emphasis added.) Further, under Section 254(b)(3), access to "telecommunications and information services" is to be on terms and conditions that are reasonably comparable between rural and urban areas. (Emphasis added.) Further, under Section 254(c), the Congressional direction to the Commission in evaluating the evolving level of universal service is that the Commission is to take "into account advances in telecommunications and information technologies and services." (Emphasis added.) In many ways, broadband is the next step in telecommunications and information services. Thus, a valid argument can be made that Section 254 does allow consideration of the modern form of telecommunications and information services, i.e., broadband, for universal service.[12]

In addition to the arguments over authority, there are also arguments raised in the

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[11] Comments of CompTel beginning at p. 4; Comments of Rural Telecom Service Providers Coalition beginning at p. 3.

[12] OTA and WITA do not take a position on which legal argument is correct at this point.

comments concerning whether the Commission's goals in the National Broadband Plan are consistent with Section 254. For example, TDS and others raise significant concerns about whether the FCC's premise of funding a 4/1 megabit service while setting the goal of one hundred million homes having 100/50 megabit service comports with the "reasonably comparable" standards contained in Section 254(b)(3).[13]

What these arguments point out is that the Commission has, as noted earlier, jumped the gun. There is a fundamentally sound way of addressing these threshold issues. The language of Section 254(c) on determining what services should be supported contemplates a Joint Board process. OTA and WITA recommend that the Commission initiate a Joint Board process to review the definition of universal service in light of the standards contained in Section 254(c) to determine what is appropriate under the principles guiding universal service set out in Section 254(b) for a broadband telecommunications universal service program that is both within the Commission's authority and meets the "reasonably comparable" standards set out among the universal service guiding principles.

In passing, OTA and WITA note that the 4/1 megabit funding level in the National Broadband Plan appears to be premised on the fact that it meets the standard set out in Section 254(c)(1)(B) in that it is the level of service subscribed to by a substantial majority of residential customers. However, that standard by itself is not a pre-condition to a service being supported. Instead, Section 254(c)(1)(B) is just one of several standards to be considered. It is not a controlling hurdle that must be cleared. Thus, one element that the Joint Board could look at is where the service trends are heading as an element of what should be considered under a

[13] See, e.g., Comments of TDS Telecommunications Corp. beginning at p. 2 and Comments of Blooston Rural Carriers at p. 5-10.

broadband telecommunications universal service program that meets all of the standards that are set forth in Section 254(b) and (c).

In addition to the foregoing, an interesting concept that could also be put out for comment is that offered by the Pennsylvania Public Utility Commission. Rather than funding a particular level of broadband service, the Pennsylvania Public Utility Commission suggests an approach where certain broadband goals would have to be reached for a carrier to be eligible for universal service support. Under the Pennsylvania Commission's approach, broadband service would need to be available to ninety percent of households in a carrier's study area in year one, ninety-five percent of households in year three and ninety-eight percent of households in a company's study area in year 5 to be eligible for one hundred percent of universal service funding. No universal service funding would be available if the carrier did not have broadband service available to at least forty percent of the households in year one, fifty percent of the households in year three and sixty percent of the households in year five. Pro-rata funding would be available between the minimum standard and the one hundred percent standard. In addition, the Pennsylvania Commission proposes speed criteria of 768 kilobits per second download speed in year one, 1.5 megabits per second download speed in year three and 4 megabits per second download speed in year five.[14] Perhaps that is an idea worth broader discussion.

COMMENTS ON THE FIVE CORE PRINCIPLES OF USF REFORM

In a presentation to the Organization for the Promotion and Advancement of Small Telecommunications Companies on July 28, 2010, Chairman Genachowski laid out five core principles of USF reform. Those core principles are as follows:

> One, universal service policies must be based on the future, not the past. Technology is changing. The market is changing. The opportunities and challenges are changing. Our policies must reflect these changes.

[14] Initial Comments of the Pennsylvania Public Utility Commission beginning at p. 15.

> Two, the Universal Service Fund must deliver universal broadband. Not only must we reorient USF to support broadband deployment directly, but we must do so in a way that maximizes the number of households served by broadband.
>
> Three, no flash cuts. New rules should be phased in over a reasonable time period to give service providers and investors time to adjust to a new regulatory regime. Not forever, but not in an instant.
>
> Four, fiscal responsibility. USF funds are finite. They must deliver the most bang for the buck, and they must not unfairly burden consumers.
>
> Five, the reform process must be transparent, fact-based and data-driven. Let's have all the numbers on the table, and let's have smart economics guide the best path forward.

OTA and WITA agree with these principles. However, the application of the principles must be placed in context. OTA and WITA will discuss these five core principles in the comments that follow.

1. <u>Principle One</u>: Universal service policies must be based on the future, not the past. Technology is changing. The market is changing. The opportunities and challenges are changing. Our policies must reflect these changes.

OTA and WITA agree with this principle, but in context there must be two caveats. The first caveat is that it must be remembered that the vehicle for delivering universal service is the public switched telecommunications network (PSTN). The PSTN is evolving into the Public Broadband Network (PBN), but at the core it is still the same network that today is delivering broadband and voice services throughout America and particularly in rural America. Looking to the future cannot ignore the investments that have been made in order to provide the PSTN and are funding its transition to the PBN.

The second caveat is that transition to a broadband-related fund cannot happen in a vacuum. As stated by AT&T:

> ... it is difficult at this time for any party to provide the Commission input on how best to ensure that providers that have relied on existing universal service and/or

> intercarrier compensation to deploy broadband in high-cost areas will continue to maintain broadband service in those areas. The Commission already has correctly recognized that ongoing support may be 'necessary to sustain service in areas that already have broadband because of the existing high-cost universal service program.' But it should recognize that, in many cases, carriers have also relied on revenues derived from intercarrier compensation to fund broadband deployment. ... The NBP, however, does not even attempt to quantify how much CAF support may be necessary to ensure that currently served areas remain so after legacy high-cost support dollars are transitioned to the CAF (or to other universal service programs) and intercarrier compensation charge revenues disappear.[15]

Thus, to move to the future, the amount of money involved in getting the PSTN to where it is at this point in time and what is needed to move to the future must be quantified. That has not been done yet.[16] This quantification is an important first step in meeting the first core principle of USF reform.

2. Principle Two: The Universal Service Fund must deliver universal broadband. Not only must we reorient USF to support broadband deployment directly, but we must do so in a way that maximizes the number of households served by broadband.

OTA and WITA agree with this principle. In fact, it appears that the vast majority of rural ILECs agree with this principle. For example, the Comments of the Blooston Rural Carriers cite with approval the Commission's conclusion in the March 16, 2010, Joint Statement on Broadband that broadband "can be an indispensable engine for unleashing innovation and investment, spurring job creation and economic growth, and ensuring our country's global competitiveness.[17] OTA and WITA agree with the Blooston Rural Carriers that "Broadband infrastructure and services are particularly important to economic development and living conditions in Rural America."[18] OTA and WITA join with the Blooston Rural Carriers in

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[15] Comments of AT&T, Inc. at p. 12-13 (footnotes omitted).

[16] In the opening Comments, OTA and WITA quantified the effects of intercarrier compensation reform. Those numbers demonstrate that without some additional support, rural rates will be unsustainable and certainly not "comparable" under Section 254. See, OTA and WITA opening Comments at p. 13-21.

[17] Comments of Blooston Rural Carriers at p. 2 quoting Joint Statement on Broadband, FCC 10-42, GN Docket No. 10-66, released March 16, 2010.

[18] Comments of Blooston Rural Carriers at p. 3.

congratulating the Commission for getting it right in the 2009 Rural Broadband Strategy Report that "state-of-the-art, secure and resilient broadband service should be our goal for rural America, just as it is for the non-rural parts of the nation" with a rural broadband network that can "... keep pace with a growing array of transformational applications and services that are increasingly available to consumers and businesses in other parts of the country."[19] This statement by the Commission in 2009 comports with the concept of reasonably comparable services in urban and rural areas under Section 254(b)(3). It is reason to revisit the 4/1 megabit standard as argued by TDS and others.

While OTA and WITA support the concept of a broadband-based universal service fund, it should be remembered that it is the network, whether it is called the PSTN or PBN, that will provide the services and will support both voice and broadband. This point is made by NASUCA as well:

> Although NASUCA fully supports providing support for broadband, this does not mean that support for broadband can completely replace support for traditional voice services, or that such support can be limited to areas where, in the absence of support, there is no 'business case' for supplying 'high-quality voice-grade service' ... More fundamentally, the statutory directive for 'affordable' basic **telecommunications services**, and for telecommunications services in rural areas that are reasonably comparably priced to those in urban areas **still exist**; they have not been replaced by the directives regarding advanced services. Thus federal support can and should be required for those services regardless of the 'business case' for the services.[20]

Core USF Principles One and Two are met by recognizing how the PSTN got the industry to where it is today and by understanding that as the industry moves to the future it will largely be the same network that will deliver broadband.

[19] Federal Communications Commission, Bringing Broadband to Rural America: Report on a Rural Broadband Strategy (May 22, 2009), p. 4, cited in Blooston Rural Carriers' Comments at p. 3.
[20] Comments of NASUCA, et al. at p. 4 (footnotes omitted, emphasis in the original).

3. Principle Three: No flash cuts. New rules should be phased in over a reasonable time period to give service providers and investors time to adjust to a new regulatory regime. Not forever, but not in an instant.

OTA and WITA agree with this principle. This is critical if investment is going to continue to be made in the PSTN/PBN in rural America. This is also why OTA and WITA have concerns about the proposed model. The concerns that are detailed throughout The Associations' Comments raise significant questions about the proposed model. OTA and WITA echo those comments. The bottom line is that not enough is known about the current model proposal to understand and comment on the model.

It is important to note that one thing that does seem to be in agreement among the parties commenting on the model is that the use of the counties as the geographical unit for determining costs is the wrong choice. Commenter after commenter has made that point, as did OTA and WITA in the opening Comments.[21] The Commission should signal that it now agrees that modeling costs using counties as the basic geographic unit is not appropriate.

Not only are there a number of issues related to the Commission's proposed model, it is not even clear that the use of a model will provide the basis for continued investment in rural America. The Comments of CoBank, ACB make this point quite well. As stated by CoBank, "Cost models are not used by lenders to make loans ... [p]rivate financing of broadband deployment in high-cost areas hinges on the fundamentals of loan structuring."[22] CoBank goes on to point out that "A stable, long-term cost recovery mechanism based on actual costs creates a viable loan structure. Lenders don't lend against hypothetical costs and they don't get repaid in

[21] See, e.g., Comments of the Washington Utilities and Transportation Commission at p. 5-6; Comments of AT&T, Inc. at p. 7; attachment to Comments of NASUCA, et al.; Comments of CenturyLink at p. 23-24; Comments of Oregon Telecommunications Association and Washington Independent Telecommunications Association at p. 22-28.

[22] Comments of CoBank, ACB at p. 4.

hypothetical dollars, so support based on a proxy cost model may not support lending to high-cost areas."[23] Decisions need to be made on actual events, not hypothetical costs. To provide a real life example, OTA member Stayton Cooperative Telephone Company has borrowed very substantial amounts from CoBank to upgrade outside plant. Will a model recognize this financial commitment to better service? If not, what happens? Not only must there not be a flash-cut, the new mechanism must be consistent with the realities of securing funding for continued investment.

4. <u>Principle Four</u>: Fiscal responsibility. USF funds are finite. They must deliver the most bang for the buck, and they must not unfairly burden consumers.

OTA and WITA agree with this principle as well. However, capping existing ILEC USF mechanisms does not necessarily mean the same thing as fiscal responsibility. There are times when fiscal responsibility means stepping up to the plate and understanding that if the goals of universal service are to be met, money must be spent to support the network that provides the universal service outcome. CenturyLink states the proposition eloquently:

> While transforming a terrestrial carrier-of-last-resort ("COLR") network into a ubiquitous broadband network is likely the most efficient means to delivering a robust broadband platform in unserved high-cost areas, intercarrier compensation, USF, and substantial amounts of private capital will be necessary to accomplish this transformation. The issue is timeless. There have been, are, and will continue to be areas of the United States where population density is insufficient to support viable voice and/or broadband networks. These areas must be supported if the goals of universal service are to be realized.[24]

Nor does fiscal responsibility mean setting support on hypothetical costs that severely understate the actual cost to provide the desired service. Fiscal responsibility actually means being realistic about what it will cost to reach the universal service goals sought by the Commission.

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[23] Comments of CoBank at p. 5.
[24] Comments of CenturyLink at p. 5-6.

For example, in its comments, Home Telephone Company points out that it is less dependent on USF support and intercarrier compensation than most rural companies. Yet, implementation of the NBP proposals means that "Home Telephone would move from a small, but reasonable net income on operations of around 12% to an unsustainable loss of 35% of gross revenues. To restate, Home Telephone would go from earning 12 cents on each dollar of gross revenue to a loss of 35 cents on each gross dollar of revenue."[25] That is not fiscal responsibility.

5. Principle Five: The reform process must be transparent, fact-based and data-driven. Let's have all the numbers on the table, and let's have smart economics guide the best path forward.

OTA and WITA agree, although there are two sides to this coin. Not only do the companies need to provide data, which OTA and WITA strove to do in their opening Comments, but the Commission must be transparent in the policies and mechanisms it develops. Many of the commenters have discussed the fact that the model development process has not been as open and transparent as it could have been. Indeed, The Associations' Comments devote considerable resources in demonstrating the problems associated with the model and its development to date.

On the issue of data development, OTA and WITA have been reviewing some of the information they provided to the Commission in the first round of comments. Specifically, it appears that there is a need to revise the tables related to the intercarrier compensation transition.

Those data sets have been improved in three ways. First, the column containing the starting point of local rates has been modified to add in the $6.50 Subscriber Line Charge that companies assess so that the tables show a starting and ending point that include the same items. Second, in the table for OTA members related to transition of the intrastate switched access rates to the interstate switched access minute of use rate level, the original numbers were developed based on each company's own access minutes. However, all intrastate switched access revenue

[25] Comments of Home Telephone Company at p. 10.

for OTA's members are pooled in a voluntary pooling arrangement overseen by the Oregon Exchange Carrier Association. The effect of the pool distributions was not taken into account in the original data. Thus, the table in the initial OTA/WITA Comments understated the local rate effect for pool recipients. The effect of pool distributions is now taken into account. Third, in calculating the transition to a "0" access rate, neither of the tables for OTA members or WITA members in the initial OTA/WITA Comments took into account the interstate access revenues. Those tables were premised solely on intrastate access revenue decreases. That deficiency has been corrected.

As demonstrated on Table 1, moving OTA members' intrastate switched access rates to the composite interstate switched access minute of use rate level produces potential local rates of up to $70 per month if there is no additional support mechanism. Four companies would have monthly local rates in excess of $50. Every OTA company would have local service rates exceeding $30 per month. These rates exceed what would be "reasonably comparable" rates for basic local service.

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Table 1

OTA ILEC MEMBERS

EFFECT OF TRANSITION OF INTRASTATE SWITCHED ACCESS RATES TO COMPOSITE INTERSTATE SWITCHED RATE LEVEL

Company	Current Rate*	Post Transition Rate
Asotin	$18.75	$32.52
Beaver Creek	$30.50	$33.04
Canby	$30.58	$33.43
Cascade	$33.89/$30.24	$37.81/$34.16
Clear Creek	$32.87	$35.47
ColtonTel	$44.35	$50.08
Eagle	$18.10	$37.77
Gervais	$34.45	$40.78
Helix	$22.17-$26.17	$28.29-$32.29
Home	$23.05	$35.92
Molalla	$34.45	$36.00
Monitor	$23.15	$57.84
Monroe	$30.08	$38.93
Mt. Angel	$24.50	$35.08
Nehalem	$19.50	$34.69
North-State	$33.30	$52.66
OR-Idaho	$18.15-$26.55	$37.96-$46.26
Oregon Tel	$29.00	$63.24
People's	$29.40	$41.85
Pine	$16.50	$70.55
Pioneer	$22.95	$30.62
Roome	$33.50/$36.50	$42.26/$45.26
St. Paul	$27.35	$37.56
Scio	$29.65-$31.00	$42.72-$44.07
Stayton	$24.99	$32.00
Trans-Cascades	$28.62	$38.72

*Taken from company tariffs and pricing schedules for residential rates including EAS and existing $6.50 subscriber line charge (SLC).

In Table 2 for WITA members, moving intrastate switched access rates to the composite interstate switched access rate per minute level produces potential local rates in excess of $35 per month for ten companies, with two companies exceeding $50 per month. These are not rate levels that are sustainable. These rate levels certainly do not meet the standard of Section 254(b)(3) of reasonable comparable services at reasonably comparable rates.

Table 2

WITA MEMBERS
EFFECT OF TRANSITION OF INTRASTATE SWITCHED ACCESS RATES
TO COMPOSITE INTERSTATE SWITCHED RATE LEVEL

Company	Current Rate*	Post Transition Rate
TDS (Asotin)	$23.70	$39.86
CenturyLink (WA)	$32.40	$41.58
CenturyLink (Cowiche)	$25.50	$32.21
CenturyLink (Embarq)	$22.90	$29.33
FairPoint (Ellensburg)	$14.97	$26.40
FairPoint (YCOM)	$22.50	$29.49
Hat Island	$21.50	$27.87
Hood Canal	$20.25	$33.46
Inland	$20.30	$52.66
Kalama	$19.50	$27.85
TDS (Lewis River)	$32.50	$37.80
TDS (McDaniel)	$20.80	$35.15
Pend Oreille	$21.00	$32.95
Pioneer	$15.50	$46.66
Rainier Connect	$20.25	$35.81
St. John	$16.00	$38.20
Tenino	$18.50	$27.16
Toledo	$37.44	$56.25
Wahkiakum	$19.90	$47.36
Whidbey	$15.90	$29.44

*Taken from Exhibit TWZ-3 prepared by Washington Commission Staff Member Mr. Zawislak in Docket UT-081393. This includes EAS. Where a company has different rates
for different exchanges, the rate for the most populated exchange was chosen. The rate also includes the SLC at $6.50.

In Tables 3 and 4, the effects of moving to a "0" access rate are portrayed. As can be quickly seen, the level of local service rates become very, very high, exceeding $100 per month in some areas and $200 per month for one company. This completely discredits the arguments of AT&T and others that intercarrier compensation reform can be accomplished simply by increasing SLCs.[26] It also demonstrates that intercarrier compensation reform cannot occur in a vacuum. The resulting rates would violate the standards of Section 254.

Table 3

OTA ILEC MEMBERS
EFFECT OF TRANSITION OF SWITCHED
ACCESS RATES TO "0" RATE

Company	Existing Local Rate* (w/EAS)	Rate After Transition
Asotin	$18.75	$61.90
Beaver Creek	$30.50	$43.51
Canby	$30.58	$47.00
Cascade	$33.89/$30.24	$70.36/$66.71
Clear Creek	$32.87	$49.08
ColtonTel	$44.35	$96.14
Eagle	$18.10	$63.74
Gervais	$34.45	$78.08
Helix	$22.17-$26.17	$229.04-$233.04
Home	$23.05	$60.05
Molalla	$34.45	$47.70
Monitor	$23.15	$104.97
Monroe	$30.08	$45.58
Mt. Angel	$24.50	$53.52
Nehalem	$19.50	$36.94
North-State	$33.30	$114.07
OR-Idaho	$18.15-$26.55	$68.80-$77.20
Oregon Tel	$29.00	$92.24
People's	$29.40	$120.02
Pine	$16.50	$102.01
Pioneer	$22.95	$51.86
Roome	$33.50/$36.50	$108.39/$111.39
St. Paul	$27.35	$79.03
Scio	$29.65-$31.00	$52.85-$54.20
Stayton	$24.99	$70.60
Trans-Cascades	$28.62	$58.84

*Residential Rate including EAS and existing SLC at $6.50 per month

[26] Comments of AT&T, Inc. at p. 18-19.

Table 4

WITA MEMBERS
EFFECT OF TRANSITION OF SWITCHED
ACCESS RATE TO "0" RATE

Company	Current Rate*	Post Transition Rate
TDS (Asotin)	$23.70	$51.11
FairPoint (Ellensburg)	$14.97	$31.54
FairPoint (YCOM)	$22.50	$34.06
Hat Island	$21.50	$35.39
Hood Canal	$20.25	$78.32
Inland	$20.30	$90.57
Kalama	$19.50	$51.16
TDS (Lewis River)	$32.50	$42.76
TDS (McDaniel)	$20.80	$47.13
POTC	$21.00	$48.41
Pioneer	$15.50	$109.12
Rainier Connect	$20.25	$46.15
St. John	$16.00	$131.39
Tenino	$18.50	$45.24
Toledo	$37.44	$94.33
Wahkiakum	$19.90	$83.90
Whidbey	$15.90	$54.01

*Taken from Exhibit TWZ-3 prepared by Washington Commission Staff Member Mr. Zawislak in Docket UT-081393. Includes EAS and $6.50 SLC. Where a company has different rates for different exchanges, the rate for the most populated exchange was chosen.

Please keep in mind that these numbers focus <u>only</u> on intercarrier compensation. The tables assume that the same level of support from existing universal service mechanisms remains in place. The local rates would be much higher if the universal service mechanisms are removed and are not replaced with an equivalent level of support.

CONCLUSION

These are very important issues that need to be addressed in the near term. However, the Commission has gotten off on the wrong foot. As stated by TDS: "It is as if the FCC has been told to transform a propeller plane into a jet fighter while flying -- and is taking off the propellers before the jet engines are ready to be installed."[27]

To get to the right starting point, OTA and WITA recommend that the Commission begin a Joint Board process to look at the addition of broadband services as an element under supported services under universal service. OTA and WITA recommend that the Commission provide a vision of what the CAF will look like and how the transition will occur from existing support mechanisms to the CAF.

In addition, the Commission can act immediately to address several specific issues. OTA and WITA recommend that the Commission take the initial steps on universal service by:

(1) adopt call signaling rules to address phantom traffic;

(2) confirm that providers using VoIP-enabled transmission are subject to intercarrier compensation and, in particular, access charges;

(3) order self-help efforts to cease and that withheld funds be paid;

(4) reform universal service contribution methodology and expand the contribution base to include all broadband providers;

(5) assist broadband adoption by ensuring access to video content on reasonable and non-discriminatory terms and conditions; and

(6) eliminate the identical support rule and address CETC funding.

[27] Comments of TDS Telecommunications Corp. at p. 5.

OTA and WITA respectfully encourage the Commission to take the foregoing recommended steps.

Respectfully submitted this 11th day of August, 2010.

By:______________________________
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